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BEFORE THE ARIZONA CORPORATION C

COMMISSIONERS

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BOB STUMP  
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BRENDA BURNS

2012 JUN 29 P 4: 01

AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WATER DISTRICT, HAVASU WATER DISTRICT, MOHAVE WATER DISTRICT, PARADISE VALLEY DISTRICT, SUN CITY WEST WATER DISTRICT AND TUBAC WATER DISTRICT.

DOCKET NO. W-01303A-08-0227

Arizona Corporation Commission  
DOCKETED

JUN 29 2012

DOCKETED BY  
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IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS MOHAVE WASTEWATER DISTRICT.

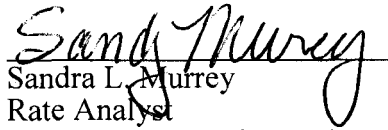
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DECISION NO. 71410

NOTICE OF COMPLIANCE FILING

Decision No. 71410 issued and effective December 8, 2009 orders EPCOR Water Arizona, Inc. ("Company") to file an earnings test for the Agua Fria Water District. Although not specifically identified earlier as such, the Company's first response to this compliance item was provided on November 3, 2010 in the Company's application in Docket No. W-1303A-10-0448. Please see the attached Schedule F-1 (original application) for the ROE for the Agua Fria Water District for the Test Year Actual Results Ended June 30, 2010. Both the test year actual and adjusted results were below Decision 71410's authorized ROE of 9.9%. The Company, therefore, passed this earnings test. Please note the test year actual results include the authorized deferrals; whereas, the adjusted test year results adjust for many factors.

1 RESPECTFULLY SUBMITTED on June 29, 2012.

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4   
5 Sandra L. Murrey  
6 Rate Analyst  
7 EPCOR Water Arizona, Inc.  
8 2355 W. Pinnacle Peak Rd., Suite 300  
9 Phoenix, AZ 85027  
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31 Original and 13 copies **filed**  
32 on June 28, 2012, with:

33  
34 Docket Control  
35 Arizona Corporation Commission  
36 1200 West Washington  
37 Phoenix, Arizona 85007  
38

39 Copies of the foregoing **emailed**  
40 on June 29, 2012 to:

41  
42 Brian K. Bozzo  
43 Compliance and Enforcement Manager  
44 Utilities Division  
45 1200 West Washington Street  
46 Phoenix, AZ 85007

Arizona American Water Company - Agua Fria Water  
Test Year Ended June 30, 2010  
Projected Income Statements - Present & Proposed Rates

Exhibit  
Schedule F-1  
Page 1  
Witness: Kiger

Line No.		Test Year Actual Results	At Present Rates Year Ended 6/30/2011	At Proposed Rates Year Ended 6/30/2011
1				
2	Operating Revenues	\$ 22,844,055	\$ 23,865,609	\$ 41,784,149
3				
4	Operation & Maintenance Expense	\$ 12,621,977	\$ 14,627,691	\$ 14,755,726
5	Depreciation & Amortization	3,759,462	10,199,583	10,199,583
6	Other Taxes	885,041	1,097,717	1,319,635
7	Income Taxes	554,890	(2,059,184)	4,722,094
8	Total Expense	\$ 17,821,370	\$ 23,865,807	\$ 30,997,038
9	Operating Income	\$ 5,022,685	\$ (198)	\$ 10,787,111
10				
11	Other Income Net	1,477,109	-	-
12				
13	Long-Term Interest	2,515,639	4,140,189	4,140,189
14				
15	AFUDC	(864,743)	(864,743)	(864,743)
16	Net Income	\$ 4,848,898	\$ (3,275,644)	\$ 7,511,665
17				
18				
19	Earnings Per Share	116.27	(72.12)	165.39
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21	Return on Common Equity	7.23%	-5.99%	11.49%
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43	Supporting Schedules:		Recap Schedules:	
44	E-2		A-2	
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50	\\10 Agua Fria Water\Schedules\2010 Agua Fria Water Sch. A-F.xls			

1 quarterly in sufficient detail to facilitate a subsequent audit and reasonableness review in its next  
2 Agua Fria District rate filing proceeding, and shall include with that rate filing a report detailing the  
3 deferred expenses and associated savings for review in that proceeding.

4 (4) Arizona-American Water Company shall file annually, during the period prior to the  
5 date of issuance of a rate order that considers the authorized deferred expenses as recoverable  
6 operating expenses, an earnings test for the Agua Fria Water district, so that in the event the  
7 Company would earn more than its authorized return on rate base as a result of the deferral, the  
8 amount of the deferral can be reduced to bring earnings down to the authorized return.

9 (5) In accordance with this Ordering Paragraph, Arizona-American Water Company shall  
10 be authorized to:

11 a. defer the sum of its White Tank Plant's Operations and Maintenance expenses  
12 less the realized cost savings resulting from production shifts as a regulatory asset in Account 186,  
13 Miscellaneous Deferred Debits;

14 b. accrue interest on the outstanding deferred Operations and Maintenance  
15 expense balance at its prevailing short-term interest rate;

16 c. beginning on the date of issuance of a rate order that considers the authorized  
17 deferred expenses as recoverable operating expenses, amortize the allowed amount of the regulatory  
18 asset over a reasonable time period to be determined in that rate order, and include such amortization  
19 as a recoverable expense.

20 IT IS FURTHER ORDERED that the proposed specific accounting entries, as described in  
21 Findings of Fact No. 121 above, are hereby approved.

22 IT IS FURTHER ORDERED that the necessity of continuing the accounting procedures  
23 approved in the prior Ordering Paragraph shall be addressed in the Company's next rate filing for its  
24 Agua Fria Water district.

25 IT IS FURTHER ORDERED that Arizona-American Water Company shall, for its Mohave  
26 Water district and Havasu Water district, reduce its water loss to below 10 percent by June 30, 2010  
27 or before it files its next rate increase application and/or CC&N application and/or financing  
28 application, whichever comes first, and shall begin water loss monitoring and take action to ensure